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PRIVATIZATION AND THE SOVIET ECONOMY

Patrick Flaherty

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KEEPING HOPE ALIVE IN NICARAGUA

Joseph E. Mulligan, S.J.

PERU ON THE BRINK

Hobart A. Spalding

The "Betrayal" of Czechoslovakia

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NOTES FROM THE EDITORS

"Almost every day," writes Louis Uchitelle, the *New York Times*' most interesting and versatile reporter on economic matters, "brings another gloomy statistic about the economy. The flow of data, however, also includes a number of good news items. . . . But is there enough good news to generate a recovery? Increasingly the answer among economists, in Congress, and even at the White House is a veering from 'yes' to 'no' " (December 3, p. D2).

This is further confirmation of a view expressed earlier in this space, that a consensus is building up that the present recession is not a routine phase of capitalism's recurring business cycle but rather a turning point to a new phase of capitalism's long-term trajectory. In this connection, we have made the comparison with the 1930s, which similarly represented a break with the past and the beginning of a new era.

Before 1930 there was really only one dynamic force in the capitalist economy, i.e., private interest. The Great Depression was caused by a collapse of private investment and lasted a whole decade because of the

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PRIVATIZATION AND THE SOVIET ECONOMY

by PATRICK FLAHERTY

Only the voices of the emerging ruling ideology in the Soviet Union are heard in the news and commentary columns of our establishment press. There are, however, analysts in the Soviet Union who see things differently. This article distills and addresses the thinking of a large number of Russian-language writers unknown in this country, except perhaps to some specialists who follow Russian newspapers and magazines. Because of the unfamiliarity of the writers discussed here, we have included more references than is normal in an MR article.

—The Editors

The reform debate, both inside and outside the Soviet Union, has largely assumed that the Soviet people must adjust to the requirements of a market economy instead of the other way around. The ubiquity of this opinion rests less on the soundness of the neoliberal arguments from which it derives than on the strength of the interests that these ideas serve. It is necessary, therefore, to turn the tables and to approach the reform from the perspective of the wage-earners whose interests normally go unrepresented in such discussions. My analysis takes as its point of departure the centrality of worker organizations, autonomous trade unions, and labor-oriented

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Patrick Flaherty has a Ph.D. in political science from Harvard University and writes frequently on the economics and politics of the Soviet Union and Eastern Europe. He has published a more detailed study of Soviet neoliberalism in the *Socialist Register 1991.*

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parties in the struggle to invent a post-Stalinist political economy in the Soviet Union.

Soviet Industry and the World Economy

Iurii Olsevich has described a familiar pattern emerging in the Soviet Union over the past few years. Liberalizing economic legislation is ratified in the Supreme Soviet to a round of rapturous applause, the reforms soon yield unexpectedly egregious results, and corrective counterlegislation is passed in "melancholy silence" (Olsevich 1989: 30). Until recently, the least challenged of extant myths was the belief underlying these decentralizing measures that market forces, freely introduced into any industrial structure, will automatically result in economic dynamism and innovation (Kern 1991: 118). The first stage of Soviet reform, and especially the collapse of the industrial base of the former German Democratic Republic (DDR), have brought home the fatuity of this belief. With all the advantages of integrating into the world's third leading industrial economy, the DDR fell from the thirteenth largest industrial producer in 1989 to the fiftieth by the end of 1990, with 39 percent of its labor force out of work (Kulczynski 1991: 7; Olsevich 1991b: 23).

Liberal dogma notwithstanding, whenever the weakest sectors of a former command economy must face unregulated competition, market forces will rapidly polarize the industrial terrain (Kern 1991: 118). The fragile islands of modernization and innovation existing within the old economy will soon be wiped out because they are not yet competitive on the world market. Shock therapy by itself can only lead to a pattern of specialization in technologically simple manufacturing, which itself can only be sustained by a reduction in the social wage sufficiently drastic to permit competition with the third world. The exposure of a backward industrial base to international market forces also reinforces existing productive patterns based on natural resource extraction, which maximizes exports in the short term (Bogachev 1991: 14). Such an

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outcome dovetails neatly with capital's intention to insert the Soviet Union into the world economy in a manner consistent with continued Western hegemony. The West is primarily interested in having the Soviet Union remain a semiperiphery to which it can sell industrial goods and food in exchange for raw materials (Olsevich 1991b: 23). Such a trajectory is hardly in the interest of the Soviet people.

Belotserkovskii has been one of the few analysts who have situated *perestroika* in a global context by arguing that the international economic system is no longer capable of sustaining the emergence of a successful large capitalist country (Belotserkovskii 1990). All the major capitalist states achieved economic predominance in an era when their ruling classes could exploit their own citizens and colonial peoples mercilessly without competition from powerful rivals. He predicted that if the Soviet Union were to choose neoliberal recapitalization, it would soon slide uncontrollably into the ranks of the underdeveloped countries rather than climb into the ranks of the first world. The massive influx of foreign capital eagerly anticipated by some Soviet economists would almost certainly gravitate toward the service sector, communications, and other secondary activities rather than finished goods production, just as it had in the third world (Pushkov 1990). Semikhodskii concludes that, in any event, even the most lucrative injections of foreign capital would amount only to a "drop in the bucket" when measured against the enormous scale of the needed restructuring (Semikhodskii 1991).

The full consequences of a rapid integration of the Soviet economy into the world market are incalculable, and nobody can predict with any degree of confidence how much of the industrial base can survive (Olsevich 1991b: 23-24). As a result of the leadership's single-minded concentration on the arms race, the Soviet Union missed the third great technological revolution that has taken place in the past quarter-century. More than half of its basic productive assets are obsolete, and it would require about fifteen years to bring as much as a quarter of the industrial base up to competitive levels

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(Semikhodskii 1991). Soviet economists estimate that less than 30 percent of serial machine-building production can compete on the world market (Loginov 1989: 37). If such claims are borne out, the liberalization of foreign trade would set into motion a devastating de-industrialization which few enterprises will be able to survive. Forty percent of all Soviet enterprises cannot make a profit even today (Kulikov 1991: 43). At least half of them would probably go under if exposed to international competition, putting up to a third of the labor force out of work. Most profitable enterprises are "objectively unprepared" for autonomous decision-making because of the lack of a market infrastructure, the economic illiteracy of administrative cadre, the monopoly structure of production, and chronic supply difficulties (Lvov 1989: 32).

Militarization and Monopoly

The problem of economic conversion is compounded by the extraordinary scale of Soviet military expenditures in relation to GNP, which exceed the comparable levels in other advanced Western societies by two to five times (Iziumov 1991: 31). Many firms and regions depend heavily on military orders, and the prevalence of these "nonmarket branches" argues strongly against shock therapy (Belkin 1990: 65-66). Such unparalleled militarization has fostered unparalleled monopolization: Western sources put the number of goods produced by one supplier at 30 to 40 percent of all Soviet output, but the level of effective monopoly is probably closer to 70 to 80 percent (Weidman 1991: 404; Olsevich 1991b: 22). Fundamental restructuring must demobilize the command system from a virtual war product footing and commercialize the economy. Without this, privatization would merely produce new forms of monopoly and a different gallery of elite beneficiaries without providing any stimulus to increased efficiency, technical progress, or the expansion of production (Sapir 1990: 138). Real competition is out of the question in such heavily militarized economies, and attempts to foist it on

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such structures prematurely would result in "theatrical market relations" at best (Deriabina 1991: 63).

Economic Governability and Shock Therapy

The first stage of *perestroika* will probably be looked back upon as an historical parenthesis between the collapse of a failed orthodoxy and the recognition that structural realities preclude a free-market utopia. The Soviet Union lacks both the time and the margin of safety to allow market forces to lead development (Danilov-Danilian 1990: 196). Appeals for a more gradual transformation and justifications of the prolonged coexistence of old and new institutions could obviously be used by the apparatus as a ruse to perpetuate its own power and privileges, but as Danilov-Danilian has said, it is the irony of reform in neo-Stalinist economies that "the same command-bureaucratic system which previously specialized in the asphyxiation of the market must now be used to cultivate it." The principal economic trend of the Brezhnev era was the crumbling of central administrative authority and the diffusion of effective control to monopoly structures (Bogachev 1990: 125-26). The neo-Stalinist system was ultimately done in by the erosion of its steering capacity, and a statist economy can only be reformed through measures that strengthen coordinating mechanisms (Olsevich 1991a: 32-36). Price liberalization or a more precipitous shock therapy will only worsen these already serious control problems in an economy that sprawls across an enormous expanse of territory and has profound production imbalances, monopolization, widespread poverty, and technological backwardness. As paradoxical as it may seem, Bogachev contends that the first objective of *perestroika* should be to centralize economic control in a new democratized form as the only means of restoring governability to an economy which has disintegrated into cellularly autarchic power centers behind the facade of the old command pyramid (Bogachev 1990: 125-26). A reform government would have no choice but to employ administrative

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measures and a planned reorganization of the economy because truly competitive markets cannot be introduced in most sectors for years, perhaps decades (Valovoi 1991).

Soviet neoliberals follow their Western counterparts in viewing inflation as a purely monetary problem which can be wrung out of a system through punishing price reform. Kolodko considers it "naive and dangerous" to maintain that such a drastic price shock will soon lead to a market equilibrium and the elimination of deficits (Kolodko 1991: 158). Pent-up demand for a sampling of essential consumer items was found to be running at about 40 percent for meat, 50 percent for sugar, 30 percent for shoes, and 50 percent for toothpaste (Shprygin 1990). Free prices in conditions of a shrinking economy are likely to intensify a spiral of *Infliatsita* or supply-side inflation, which can only balance supply and demand at levels unacceptable to the Soviet people (Vernikov 1991: 158). The most drastic monetary or fiscal measures can only have a temporary effect in a severely unbalanced economy because price effects cannot alter the underlying structural situation (Shprygin 1991).

Loginov warns against the "dangerous illusion" that the collapse of the domestic consumer market is the result of excess liquidity, because Soviet wages have been deliberately restrained since the early 70s and are only now making up lost ground (Loginov 1991: 9, 18). In his view, the primary cause of inflation is the long-running undercapitalization of the consumer goods industries. Free prices could probably rise enough to balance supply and demand, but the social costs would be excruciating and probably not supportable within a democratic political framework. The first priority must be the rapid expansion and upgrading of resource-starved civilian branches, especially in the food industry and light manufacturing. If the "dog is buried in production," as this diagnosis suggests, the work of reconstruction must be shifted there (Valovoi 1991). The fundamental structural characteristics of the Soviet economy are its "extreme qualitative heterogeneity" and deliberately engineered sectoral imbalances, which

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both stem from the militarization of production (Iaremenko 1991: 5-6). Gorbachev estimates that the technological level of nonpriority industries trails the defense sectors by one to one-and-a-half generations, which makes free-market interaction between the two virtually impossible (Gorbachev 1991).

The Mechanisms of Privatization

A key problem in any reform project will be who is rewarded for the success of risky projects and who is punished for their failure (Rakitskii 1990: 12). Many neoliberal ideologues blame the irrationality of the command economy on state property that lacks a hands-on owner and remains an impersonal instrument to managers and workers alike. This diagnosis harkens back to an idealized era when entrepreneurial control was the dominant form of management and a single identifiable individual combined the roles of owner, manager, and inventor. Even granting the plausibility of this notion in an age when direct administration is routinely divorced from ownership, Bogachev and many other economists question whether there can be found in the Soviet Union a sufficient number of individuals with an entrepreneurial mentality who would be keen to submit themselves to "merciless self-exploitation with open-ended workdays and no vacations" (Bogachev 1991: 15). Bogachev observes that not even a Lithuanian government riding a tide of fervent nationalism has been able to coax the indigenous farm population into leaving the *kolkhoz* voluntarily and going into private production.

A rapid, massive privatization seeking to create a large entrepreneurial stratum runs the additional risk of diverting capital formation into propping up the old productive base instead of creating a new economic order (Murrell 1990: 9). Even some neoliberals voice concern that a hasty privatization will inevitably result in the transformation of the *nomenklatura* into the "direct owners of a significant part" of de-nationalized industrial assets or enable the shadow economy "mafia" to buy

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up most key holdings (Nikoforov and Kuznetsov 1991: 40; Koriagina 1991: 157). Either outcome would be sure to stoke seething popular discontent.

Even if privatization succeeded in rapidly creating a proprietary bourgeoisie, these new entrepreneurs would almost surely seek to assure a free flow of resources to sectors with rapid turnover, especially trade and speculative activity (Gaidar 1990: 13). In a chronically unstable business environment, these new commercial strata would understandably be wary of getting involved in long-term undertakings. Consequently, the sum total of rational individual decisions could easily produce continuing economic decline. The neoliberal project fails to address this reluctance of calculating capitalists to invest in productive endeavors, but such projects remain the key to reindustrialization. The more sober neoliberals are cautioning that the future of the fledgling private sector would depend to a large extent on the evolution of the state sector over the next fifteen or twenty years, and the "commanding heights" of the economy must remain under government control during this period (Nekipelov 1990). Neoliberal realists like Nekipelov have been trying to dispel the illusion that the private sector can soon become the main engine of an advanced industrial economy. Even if two thirds of Soviet industrial assets were privatized within the three years projected by the Shatalin Plan of 1990, the supportive infrastructure of commercial banks, communications networks, and essential regulatory agencies would not be in place for a long time to come (Kuznetsov 1990).

Some establishment Soviet economists state quite openly that privatization in fact means "capitalization," although most of them use language that defers to popular sensibilities (Evstigneev 1991: 65). Eastern European economists like Karel Kouba, a Czech, are less restrained about dismissing the notion of voluntary privatization as "illusory" because public indifference would cause the process of stock distribution to drag on for decades (Kouba 1991: 157-58). He instead advocates the compulsory administrative transfer of control over

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assets to politically insulated holding companies. If the Soviet public is unwilling to come across with any more than the 10 to 20 billion rubles advanced so far annually to purchase state property, it would require 75 to 150 years to auction off voluntarily the roughly 1.5 trillion rubles of industrial assets scheduled to be privatized (Iasin 1991: 105). This realization has prompted some of the more sophisticated Soviet advocates of privatization to recommend that firms be taken over compulsorily by consortia made up of representatives of large banks, contracting firms, and independent entrepreneurs (Bogomolov 1991). Bogomolov contends that by virtue of their fiduciary distance from the enterprise, these joint oversight bodies can install "competent and tough managers who will be able under any circumstances to conduct an optimal economic and technological policy even if this rubs some people the wrong way." Like Kouba, he supports undivided managerial control expressly to preempt experiments in collective ownership.

Others more wary of a volatile popular mood propose the public distribution of transferable shares to the entire citizenry. Yevgenii Iasin concedes the "very widespread popularity of the notion of collective property among workers," and counsels that the government humor public opinion to a limited extent (Iasin 1991: 103, 111). This neoliberal economist views the free distribution of 10 to 15 percent of state property as an opening gambit in a long process of privatization where a combination of market pressures and the free sale of individual shares could be relied upon to restrict collectively owned firms to a small fraction of industrial assets. Similarly, Polish neoliberals have no doubt that impersonal economic forces in the form of plunging living standards will induce most workers to sell their certificates to "genuine entrepreneurs," who will quickly coalesce into a dynamic bourgeoisie (Kolodko 1991: 158).

The reliance on fiscal control to steer development in effect cedes the determination of production priorities to bankers and the transnational capitalist financial institutions

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with which they will be closely affiliated. Most East European neoliberals and party-state modernizers view democratization as nothing more than the "end of the one-party system and the formation of a power elite through elections" (Staniszkis 1991). The program of the technocratic modernizers could be summed up in the reworking by one journalist of the 1917 revolutionary slogan: "All power to the managers" (Chichkanov 1990). This would translate practically into a "separation of powers," with the worker organizations confined to minor labor market matters while new professionalized managers assume absolute control over production (Lvov 1989). The property law passed by the Russian parliament limited the proportion of shares held by enterprise work collectives to 10 to 20 percent (Kurashvili 1991). The privatization formula was clearly designed to ensure that the controlling interest in the enterprise would pass to a class of stockholders or managers appointed by them.

Bringing the State Back In

At least in public, the neoliberals are backing off from their earlier flirtation with an authoritarian anarcho-capitalism along the lines of the Chilean model. This is in part a result of their growing skill in hiding their real political intentions. But the change of heart among theorists has been most strongly influenced by realignments within the reform-oriented strata which are coming to find corporatist solutions more palatable.

The more serious neoliberal theorists readily admit the need for a "strong executive regime" to implement their reform agenda (Kara-Murza 1990). For all its genuflections to the free market, the Shatalin Plan implicitly assumed that a strong state would be required to deal with all the vital questions that were studiously unaddressed in the 500-day program, such as unemployment, rapidly escalating social tensions, and the administrative maintenance of supply linkages (Kliamkin 1990). The market is a "myopic" lens focused

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on current prices, and lacks the capacity to implement long-term structural change that successfully integrates technological development, ecological imperatives, and social welfare needs (Kuznetsov 1990).

The main objection to neoliberal shock therapy in power elite circles stems from a growing realization that Soviet reformers are not treating the ills of a poorly functioning market economy, but of a qualitatively different statist system whose supply and demand are too far out of balance to be resolved simply by freeing prices. The ideological champions of the new managerial elite are abandoning their antistate populism and courting the extension of the "solicitous strong hand of a state which is both ready to correct and assist our entrepreneurs," in imitation of the NICs of Asia (Danilenko 1991). Neoliberal academics are warning their ultras not to ignore the vital role of state expenditures in economic stabilization during the transition to capitalism (Potapov 1991). An editorial champion of the new class of "entrepreneurs" conceded that Soviet state capitalist and private businesspeople are still too few and fragile to enter into real competition and thus will depend for a long time on the state for everything from orders and financing to supply procurement (Sokolov 1991). The Scientific-Industrial Association, an association of state enterprise managers, is bidding to become the ideological bellwether of this embourgeoisement and the "embodiment of the entrepreneurial apex of the triangle" of post-Stalinist corporatism (Vladislavlev 1991). Like Western big business, these modernizing segments of the managerial technocracy are already claiming that the "national interest in a civilized state must coincide with the interests of our national entrepreneurs." Neo-Machiavellians such as Mosca and Pareto made no pretense about polyarchical elites governing on the basis of anything more substantial than their own narrowly conceived interests, and this particularistic calculus rarely coincides with the broader social interest. This corporatist project is just another recrudescence of aristocratic politics, substituting technocratic myths for popular self-determination

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and solidarity. There is no reason to expect that the modernizing elites gradually displacing the old guard will of their own accord accommodate majoritarian needs any more than their predecessors did. Quite the contrary, the neoliberal model will broaden the objective basis for class conflict and coercion, because a reform government committed to this strategy must keep wages depressed and labor docile to attract foreign capital.

Conclusion

Gorbachev initiated *perestroika* to prevent the dominant class of the Soviet Union from committing collective suicide. He offered an alternative to the crumbling status quo. The failure of the August 1991 coup demonstrates the success of *perestroika* from above in promoting realignments within such elite groups as the military and police, which can no longer be treated as homogeneous blocs. The same holds true for the party-state machine, because at least half the new managers of the privatized firms and joint ventures are former middle-level *apparatchiki* (Osipenko 1991: 67). Partisan polemics have not prevented the economic strategies of the party-state modernizers and the neoliberals from converging in principle as a result of this commercialization of the *nomenklatura*. All elements of the Soviet power elite have embarked on a forward march to embourgeoisement, and alternative reform projects with different agendas will have to come from other quarters.

The monopoly structure of the economy and the ingrained *dirigiste* reflexes of the Soviet power elite strongly suggest that capitalism can only be restored as "bureaucratic capitalism with an authoritarian corporatist state," presided over by an economically liberal, growth-oriented dictatorship (Buzgalin and Kolganov 1991: 30). Such a strategy cannot permit nonentrepreneurial power centers to emerge that are able to offer effective resistance to market forces. With this political imperative in mind, a neoliberal journalist urged the

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government to begin sacking striking miners as a means of bringing to heel the increasingly assertive autonomous labor movement "behind which looms the spectre of class struggle and the final revolution" (Sokolov 1991). Soviet reformers anticipating eternal peace in a postindustrial society with a political culture bleached clean of radical opposition are likely to be rudely disappointed. The collapse of the Kriuchkov putsch has finally dealt the *coup de grace* to 1929 and the Stalinist institutional legacy. But the more astute Soviet modernizing elites are well aware that they still must either dispel or come to terms with the socialist emancipatory promise of 1917, which is still waiting to be redeemed in *perestroika* from below.

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KEEPING HOPE ALIVE IN NICARAGUA

by JOSEPH E. MULLIGAN, S.J.

They may be able to kill all the flowers, but they will never hold back the spring.

—Pablo Neruda

The Nicaraguan people lost 50,000 lives in the struggle against the Somoza dictatorship and 30,000 (on both sides) in the contra war. The U.S. government mined their harbors, embargoed their economy, pressured lending institutions to cut off their credit, trained the contras, sent combat troops into neighboring Honduras, and got the Honduran air force to bomb Nicaraguan territory.

"The pain is very intense, the deaths are innumerable, the evil of the aggression grows," stated the Managua Network of Christian Base Communities in December 1987. "Nevertheless, our will, dedication, and commitment to peace and life are stronger; we are still on our feet." On March 6, 1988, Bishop Pedro Casaldáliga of São Felix, Brazil, told a gathering of the Christian base communities of Managua, "Hope never dies. When it is on the verge of dying, it rises again."

Hope seemed to die for a time when the people, with contra guns at their heads, voted the UNO coalition into power in February 1990. But the revolution is still on its feet

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Father Joseph Mulligan, a Jesuit from Detroit, has worked in Nicaragua for six years. His book, *The Nicaraguan Church and the Revolution*, was published in July 1991 by Sheed & Ward.

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and the people are still hopeful about their struggle in its new phase. In August 1990 Luis Carrión Cruz, a member of the FSLN National Directorate, described the "objective basis for saying that the electoral defeat of the FSLN is not the end of the revolution." He pointed out that "the electoral results cannot be interpreted as a wholesale rejection of the changes which the Sandinista revolution introduced in Nicaraguan society." The vote, which expressed the people's need for peace and for economic survival, does not mean that there is "a massive anti-Sandinista movement," he added.

The Sandinista revolution is not identified with the instruments of government, he said; the transformations and gains of the revolution are "firmly set in the economic and social reality and in the consciousness of hundreds of thousands of Nicaraguans." The army and police have not been totally replaced by contras or by other elements which would repress people's movements without question. The FSLN kept 40 percent of the seats in the National Assembly, is well represented in the judicial system, and is treated with respect by the president.

Carrión also mentioned the people's organizations, especially the pro-Sandinista labor unions, as a bulwark against rolling back the gains of the revolution. Important elements of the mass media remain under Sandinista influence. The Neighborhood Movement, now headed by Father Miguel D'Escoto (former Minister of Foreign Relations), has also shown broad representativeness and militancy in fighting to defend the people's right to the land they received under the previous government.

The former Minister of the Economy went on to note two challenges facing the FSLN: to defend the gains made by the people in the revolutionary decade and "to regain social hegemony—the support of the majority of the people—especially among the peasants." This is to be carried out within the democratic and constitutional framework "which the FSLN itself defined during its period in power."[1]

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Alejandro Bendaña, one of the top officials in the Ministry of Foreign Relations when the Sandinistas were in power, also sounded an upbeat note: "We lost the elections; let us be self-critical, but there is no time or need for self-flagellation." Calling for "historic vision," he said that Nicaragua today "is infinitely more revolutionary than it was in 1980, and that is what counts. The few years that the bourgeoisie will be able to be in power will only confirm and deepen revolutionary sentiment."

Bendaña described the challenge ahead: "We must respond with creative alternatives to the 'adjustment' programs which the new orthodoxy wants to impose on our peoples. And perhaps now the responses will not be with AK-47s and the military seizure of power but rather in the political and union struggle, at the negotiating table, and in supervised elections to advance the agenda of the peoples."

The response of the Latin American left to this "challenge of historic proportions" must come from "our own continent, from a cold analysis of our objective situation, that is, of the complete and obvious failure of capitalism in Latin America. If the crisis of bureaucratic socialism produces a political and ideological assault from the right, similarly the crisis of dependent capitalism offers the conditions for a rallying of Latin American revolutionary thought. There is no reason to be on the defensive or to succumb to pessimism."[2] Jesuit economist Xabier Gorostiaga, noting that the FSLN itself has criticized its way of relating to the people's organizations, pointed to a new and more vigorous role for the organizations as a sign of hope: "In the face of a ten-year war, the people's organizations sacrificed their sectoral demands for the sake of national defense, which enormously limited their capacity to struggle. I would say that the class struggle in Nicaragua has begun to explode since the electoral defeat, because with that the people's organizations acquired a space which had been closed to them by the war." How to define the role of these organizations in the new situation and their relation to the FSLN, their autonomy, their demands, their

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specific tasks independently of the party and in complementarity with the party—"all this is a new task," said Gorostiaga.

He said he was asking himself: "What advantages does the electoral defeat have for Sandinismo? Is the defeat liberating for the future? Obviously, I would have preferred to see a victory for Sandinismo. But it is important to see and to use the positive aspects of the failure. We have this kind of hope even in the midst of apparent disaster."[3]

What is it in the revolutionary experience of the people that enables them to bounce back after every setback? At least six elements can be identified, and perhaps an acquaintance with them can also nourish the spirit and perseverance of people in solidarity in the United States.

1. A successful liberation struggle. Probably the most important element in the Nicaraguan people's history is their experience of liberation in their successful struggle to throw off the yoke of Somoza.

2. Building a new society. A second element, building on the first, is the people's experience of being able to have and participate in a government that truly reflected the interests of the poor majority. Latin Americans have wondered for many years whether the political and economic structures of the world could ever be shaped along the lines of humanistic values. Could justice, equality, democracy, and liberation ever be enfleshed in history, or would they always remain dreams, high ideals, or the rhetoric of merely reformist programs which have never made much difference in the lives of the poor majority?

Nicaraguans know now that governments do not always have to be the protectors of the rich. The people here also learned that they do not have to fear their police and troops, as they did under Somoza and previous régimes. They believe that they had a government which, while by no means perfect, was basically honest and struggling to better the lot of the poor. They are proud of what they have accomplished, in spite of the war and the country's own limitations.

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After recounting many of the people's social accomplishments since 1979, Father Ernesto Cardenal noted in 1987: "Over and above all these achievements, the most important one is that of liberation—the people are the owners of their own destiny, with the right to direct their history. Even more important is the solidarity of the people as companions, as brothers and sisters."

In 1988 Monsignor Arias Caldera, a well-loved pastor in the archdiocese of Managua, related the social progress of the revolution to the "reign of God": "The only thing we really have to do is work for the building of the reign of God. Translating that into our own language, the reign of God has to do with what we hope for and aspire to—it has to do with beans, with a house, with learning to read and write, with land reform, with brotherhood and sisterhood."

3. The blood of martyrs, the seed of hope. The thousands who died in the revolutionary struggle, first against the Somoza dictatorship and then in the war of national defense against the contras, are known and celebrated as "heroes and martyrs." In fact, the book of martyrs goes back even further, to include General Augusto César Sandino and those who fought alongside him against the U.S. occupation forces in the 1920s and 30s.

If "the blood of martyrs is the seed of faith," the suffering of Nicaraguans for liberation and justice has been the seed of renewed faith, hope, commitment, and perseverance. Every year, especially in June and July (when the toll was especially high in the 1979 insurrection), masses are celebrated to honor the martyrs. At these liturgies people emphasize that they are also strengthening their resolve to follow the martyrs' example and carry on their struggle by being faithful to the present revolutionary tasks.

Miguel D'Escoto has frequently pointed out that the cross is not just any experience of pain or hardship or discomfort; properly speaking, it is the experience of persecution and martyrdom inflicted upon those who make a special option

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for the poor, proclaim the truth, and struggle for justice and freedom.

Nicaraguans who are not explicitly Christian also speak frequently of their heroes and martyrs. When the National Guard unleashed a wave of repression against the FSLN in 1967, Francisco Moreno was one of the many casualties. Carlos Fonseca, principal founder of the FSLN, wrote to Francisco's parents: "The martyrdom of Francisco, of the other *compañeros*, and of the exploited peasants has not been in vain. It was the price paid so that justice may begin to flourish. Francisco had the purity of heart of a saint. The early Christians, pure of heart and devoted to the good, would have considered him one of their own." Carlos went on to note that Francisco's commitment had special merit in that he was not struggling for his own class interests: "Francisco did not enter the battle because he was the victim of injustice, but because the poor of Nicaragua, whom he loved as brothers, are downtrodden and exploited. Whatever time I have left in life does not belong to me but to the brothers and sisters who have fallen in battle and to the ideal which we have embraced."[4]

4. A sense of being right. Nicaraguans supporting the revolutionary process are convinced that they are involved in the just defense of their revolution and sovereignty, and this is a fourth source of their hope and perseverance. This was expressed vividly in *Fire from the Mountain*, a contemporary Nicaraguan classic by Sandinista leader Omar Cabezas. He described a crushing experience during the struggle against Somoza, when a highly respected guerrilla leader named Tello was killed after the Guard forced a prisoner to reveal his whereabouts. When Cabezas heard of Tello's death, he felt fear, ". . . . since in a way I had modeled myself on Tello. He had taught me what to do if the Guard came. . . .

"Nothing was sure anymore," Cabezas continued. "What kind of guerrilla force is it anyhow when the best man of all, your teacher, is the first to die? . . . And you felt superfragile, as if the Guard was invincible, and what we had was nothing but a caricature of a guerrilla army, nothing but good inten-

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tions, a pathetic dream, a joke of a guerrilla effort." He described how the mountain itself seemed to feel fear, falling silent and calm.

"And what chance did Che have if the Rangers who killed him were trained by the same people who trained Tello's killers? . . . It seemed as if all the songs, all the revolutionary literature coming out of Latin America was nothing but window dressing, an intellectual veneer on a shaky theory of revolution that would never, in practice, succeed.

"And what saves you then?" he asked. "You are saved by the fact that the FSLN inculcated in us a historical will, an infinite, boundless stubbornness. . . . To be against the Guard, even though you may die—to be a guerrilla fighter—is an absolutely honorable stance. If you die, you die with honor. Your death is in itself a protest. . . .

"A sense of pride emerged," he explained. "From deep within rose the spirit of struggle, of never giving in, even though you might die." Christians in the honorable struggle have felt that the liberating God of the poor is with them and that this same God is Truth.

This sense of being right in their struggle against Somocismo and U.S. imperialism does not lead them to consider themselves superior to other peoples or to blind themselves to their own faults and failings. A top government official has stated that "this is a revolution of human beings, not angels," and the people agree.

The correctness of their cause was recognized widely in the family of nations. Perhaps the most formal expression of support for Nicaragua's cause and of condemnation of U.S. policy was seen in the verdict of the World Court in the summer of 1986. Coming on the heels of Congress's approval of $100 million for the contras, the Court's decision seemed to highlight the struggle of right vs. might.

On March 23, 1988, the Jesuit community which was the home of Father Fernando Cardenal (Sandinista Minister of Education) was celebrating the good news of a cease-fire which had just been signed by the government and the contras.

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The end of the fighting seemed to invite reminiscences of earlier experiences in the long march to peace. One member of the community recalled the frightful days in November 1983 when the United States invaded Grenada and seemed poised to attack Nicaragua. With that palpable danger in the air, he said, Fernando Cardenal stated with complete conviction that even if the revolution were brought to a violent end by outside forces, the struggle would still have been eminently worthwhile because it is a struggle for justice.

5. A sense of time. An important aspect of the revolution is the "recovery" of the true history of the nation, which is largely a history of struggle against Spanish, British, and U.S. domination. Nicaraguans know that U.S. intervention did not begin with the Carter administration's attempt in 1979 to preserve the remnants of the Somoza system or with President Reagan's covert and then very overt efforts to overthrow the Sandinistas beginning in 1981. This sense of the time involved in their long struggle for self-determination is a fifth element in the people's arsenal of hope.

"As a boy of 17 years, I witnessed the butchery of Nicaraguans in Masaya and other parts of the Republic by North American filibuster forces," wrote General Augusto César Sandino in his 1933 "Manifesto to the Peoples of the Earth and in Particular to the People of Nicaragua." "I personally saw the corpse of Benjamin Zeledon [killed by the Marine invaders in 1912] which was buried in Catarina, a neighboring town to mine. The death of Zeledon helped me to understand our national situation in relation to U.S. filibusterism; that is why we consider the war in which we have been engaged a continuation of that war."[5]

Later, as their name itself indicates, the Sandinistas would see their struggle against Somoza as a continuation of Sandino's war. "The guerrilla war of the people against the National Guard," wrote Carlos Fonseca, "is the continuation of Sandino's struggle against that same army and against the yankee invaders."[6]

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Tomás Borge, also one of the FSLN founders and Minister of the Interior in the Sandinista administration, made the same point in this way: "The emergence of the Frente Sandinista confirmed the truth of Sandino's words: 'We will go toward the sun of freedom or to our death, and if we die it doesn't matter; our cause will keep on living, and others will follow us.' "[7]

Carlos Fonseca reached further back in history in a 1973 letter on behalf of the FSLN to his "brother Indians in the U.S.": "The people of Nicaragua are proud of the Indian blood we have from our ancestors. The Indians of Nicaragua showed heroic resistance against the Spanish colonizers' aggression. The name of Chief Diriangen stands out among our Indian heroes who distinguished themselves in that struggle.

"The first attacks by the U.S. against Nicaragua," he went on, "go back more than a century. Our little country from the very first moment has put up armed resistance against the yankee effort at colonization. The struggle of our people against U.S. aggression continues from then till now. In a century of interventions, our small country has suffered more than 100,000 victims of U.S. aggression."[8]

When the National Guard killed Carlos Fonseca in 1976, "it was thought that his death practically put an end to the Sandinista struggle," Tomás Borge wrote later. "It was a repeat of the same phenomenon that happened when Sandino died: people thought that it was all over for Nicaragua, that Nicaragua would be the eternal colony of the North Americans. I remember how they came to me in prison with a look of triumph on their faces to tell me of the death of Carlos; they thought we were crazy because we kept insisting that the triumph was still ours.

"In our jail cells," Borge continued, "we said: 'Carlos is one of the dead who never die.' What we meant is that the revolutionary classes do not die, that the workers and peasants as a historical project are immortal. Carlos could not die because he was a synthesis, an idea that was not only intelligible but was ready for the harvest. Carlos died, but he did not

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die—that is what our enemies could not understand. Carlos did not die, because the people are the ones who make revolutions; and revolutions are nothing other than the resurrection of the heroes."[9]

6. Responsibility to other third world nations. Sandino himself was convinced that his struggle in Nicaragua had a special place in the development of Latin American solidarity. Many Nicaraguans have felt that they are suffering not only to defend their own revolution but to preserve the hope for revolutionary change throughout the third world. This constitutes a sixth pillar of their hope. With the eyes of their oppressed and struggling brothers and sisters upon them, Nicaraguans summon up an extra measure of responsibility and faithfulness to their historical mission.

Belgian sociologist Father François Houtart is one of many frequent visitors to Nicaragua who remind Nicaraguans and foreigners of the key role played by the Sandinista revolution in the world struggle: "I think we must be very conscious of the fact that what is happening in Nicaragua is very important for the rest of the third world. I was in the Philippines this year and had contact with people in the revolutionary movements. For them, Nicaragua is a basic point of reference. If the Nicaraguan revolution is brought to an end, either through violence or because they cannot cope with the economic and political pressures, that would be a very dramatic development for the whole third world."[10]

In another place in the interview, Houtart explained that revolutionary hopes would not go down the drain completely but would be seriously derailed by a failure of the Nicaraguan process. In March 1988, on his third pastoral visit to Nicaragua, Bishop Pedro Casaldáliga said: "Nicaragua is not just for Nicaragua. Nicaragua exists for Central America, and Central America exists for Latin America, and Latin America is for the third world. Probably 90 percent of the people in my prelature," he acknowledged, "don't have a very exact idea of just where Nicaragua is, but they do know that Nicaragua is a small country which had a revolution, which is struggling, and

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which is being persecuted by the great and powerful, and they know that Nicaraguans are their brothers and sisters."

At this point in the session, Casaldáliga and the whole assembly were thrilled to see visiting Bishop Sergio Mendez-Arceo, the retired bishop of Cuernavaca, Mexico, walk into the church. Warm hugs all around; people delighted to see two bishops expressing their friendship for the people and for each other. Mendez-Arceo, echoing Bishop Casaldáliga's words, identified Nicaragua as "one of God's central points in the building of the kingdom" and as "one of the world's central concerns."

"If the Nicaraguan revolution manages to go forward," he continued, "it will be an example of revolution for the whole world, especially from the point of view of Christians. Nicaragua must resist to the end, and that end must be the victory of this revolution."

In order precisely to prevent that victory and that example, the U.S. government and the Nicaraguan enemies of revolution decided to cripple the Sandinista project through "low-intensity warfare," which for the victims is really high-intensity state terrorism. In 1986 Jose Luis Coraggio wrote that Nicaragua's "ideological importance for Central America and for all of Latin America is evidenced by the Reagan administration's rhetorical virulence and by its shamelessly open struggle to kill it at the same time as it tries to dissuade other peoples from starting down the road to liberation. In a certain way, the possibility and legitimacy of the Latin American people's struggle against their oppressors is being put to the test in Nicaragua."[11]

Eduardo Galeano, author of *Open Veins of Latin America*, (New York: Monthly Review Press, 1973), described how U.S. policy deliberately forced Nicaragua to commit more and more of its scarce resources to defense, to become more dependent on the Eastern bloc countries, and to restrict certain political liberties for the sake of internal security.

These developments within Nicaragua were then broadcast to the world "through a powerful international propaganda

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campaign," wrote Galeano, which included "a bombardment of lies." The whole world then heard "the terrible story of another revolution which is betraying people's hopes. Propaganda is disguised as disillusionment."

All of this offered "balm for the cynics, consolation for the deserters, an excuse for the egotists: that no one should entertain the idea that change is possible." The desired conclusion is that "the peoples of the so-called third world, victims and witnesses of decisions made by others, should not entertain the illusory hope of believing they are protagonists."[12]

In a June 1989 seminar on what the Nicaraguan experience meant for the rest of the third world, Xabier Gorostiaga summed it up in this way: "Nicaragua has shown its enormous capacity to resist the forces of imperialism; the United States has shown the third world the terrible cost it will exact from nations which assert their independence." Gorostiaga also noted that Nicaragua had experienced more international solidarity, especially from church groups (in spite of U.S. efforts to "satanize" the revolution), than had other revolutions.

Nicaraguans saw that there are those like Bishop Thomas Gumbleton, auxiliary bishop of Detroit, who as president of Quest for Peace helped to bring millions of dollars worth of needed supplies to Nicaragua; on visits to Nicaragua, Bishop Gumbleton listened carefully to the people and was warmly accepted by them as a pastor and friend. They also came to know and love retired Bishop Sergio Mendez-Arceo on his twelve visits to Nicaragua since the triumph of the revolution. The people also derived much support from the pastoral visits of Bishop Pedro Casaldáliga, who spent two months in Nicaragua in 1985 during and after Father D'Escoto's twenty-five-day Fast for Life and Peace and who has made several visits to Nicaragua since then. And the bishop of Orleans, France, had a quiet but profound pastoral impact on the poor in 1987 simply because, as the people said, he listened to them, expressed his love for them, and offered his sympathy to the families of those fallen in battle against the contras.

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Solidarity with the Nicaraguan revolutionary process, while it has declined, remains firm. The question of how best to support that process continues to be explored. Nicaragua, for its part, "has the potential to continue being a hope for Latin America," stated Luis Carrión, depending on how the revolutionary process defends itself and deepens its presence during the current period.[13]

Conclusion

In this article I have tried to describe some of the components of the Nicaraguan revolutionary experience. We have seen that (1) the people had a real experience of liberation in their victory over the Somoza dictatorship; (2) they found that there is real hope for the human project and for just political and economic structures, since they experienced a government which, despite all its problems (largely external in origin), was for the poor majority; (3) supporters of the revolutionary process see the suffering and death they have experienced in their just struggle as martyrdom, and they are committed to carrying on the work of their fallen *compañeros*; (4) they are convinced that they are right and that their cause is just; (5) their sense of history links them with the long process of ongoing revolution; and (6) they know they had broad international support for their struggle, and they continue to feel worldwide interest in the new phase of their process. These are some of the reasons why they can bounce back after every setback and will continue to struggle in defense of their revolution.

In 1989, Indiana Acevedo and Father Arnaldo Zenteno, S.J., summarized the reasons for hope: "Nicaragua is a land of hope because of the liberation won on July 19, 1979, and because step by step we are moving ahead, building the New Nicaragua, a just and fraternal society. Nicaragua is a land of hope because in these ten years we have kept our dignity, confronting and beating back the aggression of the empire. Nicaragua also radiates hope because of the active participation

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of Christians in this process of liberation in which the people are the makers of history." In closing, a rather obvious question suggests itself: In the experience of Americans involved in international solidarity work and in the struggle for justice at home, can we identify elements analogous to those of the Nicaraguan experience? Can we draw new life and hope from them in difficult and depressing times? I think the answer to both questions is "yes," and it is our task to draw on our history to keep our hope alive.

NOTES

1. *Dando razón de nuestra esperanza* (Managua: Centro Ecumenico Antonio Valdivieso, 1991).
2. Ibid.
3. Ibid.
4. Eduardo del Rio (RIUS), *Carlos Para Todos* (Managua, 1987), pp. 70-71.
5. *El Sandinismo: Documentos Basicos*, pp. 112-13.
6. Ibid., p. 270.
7. *Apuntes Iniciales Sobre el FSLN* (Managua: MINT, 1986), p. 22.
8. *Carlos Para Todos*, p. 93.
9. Ibid., pp. 41-42.
10. Joseph E. Mulligan, S.J. "The Historical Significance of Nicaragua" (an interview with François Houtart) *Monthly Review* 39, no. 8 (January 1988): 9-10.
11 *Nicaragua: Revolution and Democracy* (Boston: Allen & Unwin, 1986), p. 10.
12. "Transformar la Realidad Escandaliza a los Dioses," *Pensamiento Propio* (Managua), January 1987.
13. *Dando razón de nuestra esperanza.*

If the misery of our poor be caused not by laws of nature, but by our institutions, great is our sin.

—Charles Darwin, *Voyage of the Beagle*

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PERU ON THE BRINK

by HOBART A. SPALDING

News on Peru in the U.S. press usually focuses on some aspect of the "Drug War" or else announces Peru's imminent return to good standing in the international financial community. While few people would deny altogether the importance of these items, they do not begin to describe the country's current situation. I visited Peru in May 1990, in August 1991, and again in September 1991. On each visit, I saw a worse situation. Peru now teeters on the brink of civil war and chaos threatens, the product of a desperate economic situation and a guerrilla insurgency that has been slowly, steadily spreading since 1980.

The Origins of the Crisis

To understand the growing success of the insurrection, it is necessary to understand the country's recent history. In 1968, the military, which was fearful of rising social tensions in the countryside, seized power. Known as the "Peruvian revolution," the event marked a major watershed between traditional and modern Peru. The military initiated a variety of reforms, the most important of which broke the power of the old landed oligarchy and distributed land to the peasantry,

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primarily through collectives. The state took over important foreign corporations in the mining and public sectors. This burst of populist politics did not last long and by 1975 the "revolution" had turned conservative and rescinded some of the reforms. In 1980, the country returned to elected governments, first under a liberal administration and then under the presidency of Alan Garcia, who represented the populist wing of the centrist APRA (the Alianza Popular Revolucionaria Americana), the country's oldest and largest party, with substantial strength among the mestizo middle sectors and lower classes.

Beginning in the late 1970s, a crisis gradually enveloped the country. An inflationary spiral began under the impact of the military's economic plan of industrialization and substantial state intervention. Annual inflation advanced steadily from two digits in 1976–1980, to three in the following five years, and to four in 1985–1990. It peaked in 1989 at over 30,000 percent a month. The gross domestic product fell over 20 percent between 1988 and 1990. Foreign and domestic investment dried up and international prices turned against Peru's major exports—copper, sugar, and cotton. To make matters worse, drought racked the agricultural sector on several occasions, and finally in 1990–1991, a cholera outbreak ravaged the country. The social impact of the economic crisis has been cruel. By the end of the 1980s, the poorest 60 percent of the population earned 20 percent of total income, while the richest tenth took 45 percent. Per capita income declined more than 20 percent in the decade. Poverty became more severe for the already poor, but it also pauperized the various middle classes.

This is the context in which the 1990 elections took place. Mario Vargas Llosa, a world-famous writer, soon emerged as an overwhelming favorite of the local and international bourgeoisie. APRA, discredited by its term in government that was just ending, could not field a strong candidate. The United Left (a coalition of mostly non-Communist left parties which at one time had won 40 percent of the vote)

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fractured into a dozen parties and tendencies. At first almost no one noticed the candidacy of Alberto Fujimori, a university professor, running under the banner of a hastily assembled coalition called Cambio 90 (Change 1990). Vargas Llosa failed to get a majority in the first round of balloting and, surprisingly, Fujimori placed second. In the runoff, APRA and the left supported Fujimori, who promised there would be no regressive social and economic policies, in contrast to Vargas Llosa, who announced his intention to return Peru to the good graces of the IMF. Classism and racism played a part in the election. Vargas Llosa lost votes because many people could see that he represented the white, rich, upper class. Attempts to exploit Fujimori's nationality failed and perhaps even backfired.

Fujimori took office in late July 1990. Ten days later, he initiated a radical economic plan based on a "shock therapy" more violent than anything Vargas Llosa had proposed. It was followed by the end of subsidies and a switch to market-determined prices for food, fuel, and utilities, tax reforms, the privatization of twenty-three state companies, lower tariffs, and a currency free to adjust to the market. The government pledged to pay arrears on its debts and put its budget on a cash-and-carry basis. It later rewrote the national labor law to limit the right to strike and curtail job tenure, a move designed to attract capital and revitalize noncompetitive industry, agribusiness, and mining. In the wake of these measures, inflation has been falling steadily, amounting to only 7.2 percent officially for the month of August 1991 (although when compounded that still totals over 125 percent a year). Peru took steps towards readmission to the international monetary system by securing a $425 million bridge loan to pay arrears through June 1991. The "Peru Support Group," headed by the United States and Japan, has indicated that it will raise the amount needed to make other back payments, although Peru may never work down its $22 billion foreign debt.

Meanwhile, the crisis continues. The GNP keeps falling and demand remains slack. Real minimum wages fell by 26

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percent during Fujimori's first twelve months on the job. A recent study showed that for low income families, two average salaries could cover only 80 percent of basic necessities, which means that households must have at least three earners in order to survive. The extent of critical poverty has risen to include 27 percent of the "economically active population," according to optimistic estimates. The level of "normal" poverty may stand at double that figure.

The Ministry of Labor recently calculated that only 5 percent of the population had adequate employment according to standards set by the International Labor Organization. General employment in most sectors of the economy continues to fall. Another result of the prolonged crisis has been an explosion of the informal sector. At present, only 18 percent of the economically active population in greater Lima have regular jobs, 8 percent are unemployed, and the rest belong to the informal sector. This implies an enormous loss of productivity, and means that a large part of the labor force is outside the fiscal reach of the state.

Peru's population of 22 million resides mostly in the cities, about 30 percent in metropolitan Lima. Many are recent migrants from interior cities or the Andean highlands. They live in rundown areas at the city's edges and overwhelmingly (70 percent) in the shantytowns of straw or brick houses that ring the city. These "new towns" may house up to a million people each and they exist as separate entities, largely beyond the reach of the central government. The unpaved streets, lack of running water or sanitation, low incomes, high un- and underemployment and few, if any, health facilities breed discontent and endemic violence. The people in these towns have organized programs such as day care, soup kitchens, or meals for children on a neighborhood or municipal basis as a means to make their woefully inadequate budgets stretch. Many of these efforts receive governmental, municipal, or church assistance; others run on small donations from members.

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These regional, neighborhood, and sectoral organizations perform functions that the government cannot or will not undertake. They have won the trust of the people through personal contact and the provision of valued services. Because they have a direct popular contact that government has lost, when the Fujimori regime started a vaccination campaign against cholera, it had to appeal to them because the national health service did not have the material resources or the contact with the people that they did.

The crisis has destroyed people's confidence in the government, which now exists for them only as a negative influence, the bringer of salary freezes, higher prices, repression, decaying infrastructure, ineptitude, and corruption, with few positive compensations. The fact that a number of military and security people have been implicated in drug trafficking reinforces this view. One result has been a flight from traditional politics, exemplified by the 1990 elections in which both candidates ran under the banners of new, hastily assembled parties.

The opposition remains divided and disorganized. APRA, although split by internal dissension and badly hurt by the government's failures, represents the only major political force with any shred of legitimacy. The parties on the left, after missing an historic opportunity to turn the country around (they polled a little over 10 percent in the last election), seem unable to formulate a plan that captures the popular imagination. Other organizations that could defend people are also in eclipse. Labor unions, which represent only 6 percent of the economically active population, retain little clout. The government has shown its willingness to endure prolonged strikes and to use repression to tame the workers.

One of the major failures of Peruvian society in the past decades has been its frustration of the aspirations of the young. Rather than developing steadily, the economy has expanded and contracted. For the most part it has failed to make a place for the mestizo youth who want to acquire education. Such access to the universities as there has been

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has often only frustrated poorer students. Many have not been able to finish because they must work full time, and classes often get cancelled due to internal problems. Nor have jobs materialized upon graduation. As a result, many young people have sought alternatives outside the system. Of those convicted of terrorism, about 60 percent are under twenty-five and many have completed secondary education and taken some university courses.

Enter Sendero Luminoso

Probably the best known organization in Peru is the Shining Path, or Sendero Luminoso. Not until one is in Peru, however, does Sendero's importance become clear. Its presence colors nearly every aspect of daily life and dominates both political debate and everyday conversation. This fanatical "Maoist" party initiated a guerrilla war in 1980 and since then has made slow but steady strides in conquering geographical and social space. It partially or wholly controls more than half of the country (including "red zones," where it holds almost total power), although it has sway over a much, much smaller percentage of the population. Initially confined to the countryside and then to a few specific areas (especially Ayacucho, its birthplace, and the coca-growing Upper Huallaga Valley), within the last year or so it has established a real presence in greater Lima and it now operates in twenty-one of Peru's twenty-four administrative departments. As of August 1, the government had declared 42 percent of the national territory containing 56 percent of the population to be under a state of emergency. In emergency zones, constitutional guarantees are suspended and the armed forces and police have unlimited powers.

Sendero employs ruthless tactics, and its leader has publicly stated that the revolution will only triumph "in a river of blood." In order to bring down the state and open the way for its particular version of the peasant and proletarian revolution, it seeks to heighten the contradictions of bourgeois rule

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by destroying the material infrastructure, killing members of the army, police, and officialdom, and destroying social, popular, and governmental organizations.

Sendero particularly goes after the human infrastructure, attacking people with influence in the community if they do not pledge total allegiance to Sendero and its principles. It assassinates, for example, such highly visible targets as the mayors of smaller cities and villages—ninety-one have been killed so far in a country whose population is only slightly larger than that of New York state. Most of the victims belong to organizations that are potential rivals to Sendero for popular support. It targets union leaders who refuse to accept its leadership. Last year alone 446 political murders occurred and over a thousand persons have died from political violence, most of them in armed clashes. Hundreds of towns currently have no constituted authorities because local officials have been liquidated and people are afraid to take their places.

By its own statistics, Sendero had carried out some 121,455 armed actions by the end of 1989. In the countryside, clashes between Sendero battalions and security forces occur with an ever greater frequency. Although the total number of cadres is unknown, some Senderista columns reportedly consist of several hundred well armed troops. Sendero operates almost openly in the sprawling poor areas around Lima, and it has gained strength there in the past year, despite the party's illegality. The Mayor of Cádiz, on a good will tour for the 500th anniversary of the "discovery," visited a shantytown where Senderista red flags with hammer and sickle greeted him. During my last visit, two Senderista-organized shantytown demonstrations each put 300 people in the streets, some armed.

The material costs of insurgency have been heavy. One economist calculated that the destruction wrought by Sendero in terms of vehicles, irrigation works, mines, cattle, bridges, high tension wires, etc., amounted to at least one third of total investment made from 1980 to 1989. This figure

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does not include investment that never materialized or capital flight due to internal insecurity (a poll of international business picked Peru as the most insecure country in the world in 1990). Nor does it include money diverted into the military and security apparatus from infrastructure or social projects. Peru remains caught in a vicious circle. Violence breeds disinvestment or no investment, which in turn breeds poverty, which breeds more violence.

Sendero finances itself mainly through a tax on the drug traffic. It collects some $40 million, or roughly 10 percent of the export value of basic coca paste—the raw material for cocaine, of which Peru produces 60 percent of the world's supply—from regions where it operates. In return, it insures peasant growers fair prices and provides them shelter from violence on the part of traffickers and security forces.

But to equate Sendero only with drugs, as many people do, is quite misleading. The U.S. government seeks to hide an antileftist campaign inside a failed drug policy. The U.S.-sponsored Andean Initiative, for example, eradicated zero acres of coca in Peru last year, and the total amount of leaf grown increased. The Peruvian government wants U.S. support for a war that it may be slowly losing, and drugs make an ideal pretext. In addition, it needs U.S. good will to secure loans and investment. Real doubts exist, however, over Fujimori's desire to end the drug trade. First, it provides Peru with somewhere between a fifth and a third of its export earnings, and therefore with dollars that the country needs to pay its debts. Second—and this is a fatal flaw in Bush's Andean Initiative—attacking coca growers or traffickers only drives them into a closer alliance with Sendero. Third, involvement of the Peruvian military in the traffic raises serious questions about its will to forego this source of income. An alternative strategy of paying peasants to grow other cash crops requires at least $5 billion to $7 billion. The administration's initiative offers only a few million over the next ten years, belying the U.S. government's announced intentions. The United States consumes some 80 percent of the world's cocaine, and any

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effective policy must clearly start with a reduction in U.S. demand. Ironically, the *cocaleros* are only following the advice of the Peruvian economist Hernando de Soto, the guru of Bush's neoliberal Latin American strategy. Traditional crops may bring in $600 per hectare, coca up to $4,500. A rational entrepreneur will decide to grow leaf at these prices, despite the risk.

Sendero does not have a monopoly over violence. Four other groups exist which carry out guerrilla raids. The strongest of these is the Movimiento Revolucionario Tupac Amaru (MRTA), made up of ex-guerrillas from the 1960s, as well as dissident elements from APRA and the United Left. Although it is much smaller and weaker than Sendero and has no real social base, its sporadic armed actions contribute to a growing chaos.

Violence stalks Peru in other ways. Street crime has increased markedly and is a daily fact of life. Executives are kidnapped frequently, not only for political reasons but also by common criminals seeking ransom. Recent calculations have shown that the need for extensive security measures against common criminals and politically motivated acts has increased production and sales costs of private firms by 7 to 10 percent. The crisis breeds family violence too. Within the past decade, six out of ten women in Lima had asked help from the authorities due to domestic or job-related violence. How many more had been subjected to violence without reporting it remains unknown.

The last actor in the bloody drama is the state. Violence perpetrated by the armed forces, police, and special forces against defenseless peasants and shantytown dwellers almost matches that of Sendero. Systematic violations of human rights by the security apparatus, particularly in emergency zones, has led several U.S. Congressional committees to call for a suspension of military aid to Peru unless these widespread abuses stop. Predictably, however, Bush has certified that the situation in Peru is improving and has released the impounded funds. The government has armed the peasantry

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in order to give peasant patrols more teeth. Participation on the part of the peasants is obligatory unless they are willing to risk the accusation of being pro-Sendero. The military uses these patrols as vanguards in their incursions into disputed territory, making the peasants prime targets. In addition, armed peasants clash with each other as a means to settle long-smoldering historical disagreements over water rights or land between villages. The army has engaged in a forced resettlement campaign which involves moving whole villages in order to protect peasants or undermine the guerrilla bases. This strategy has proven no more effective than the strategic hamlets program in Vietnam. As a consequence of the military bombing of communities considered pro-Sendero, the destruction wrought by Sendero raids, and the general flight of those caught in between the two, whole sections of the sierra now lie barren of human and domestic animal life.

Right-wing death squads with close links to the military and police also form part of the pattern of violence, threatening those who would investigate military crimes. Recently Fujimori issued an executive decree which virtually exempted the armed forces from prosecution for violent actions. No military or security person has been convicted of human rights abuse since 1980.

The human cost on both sides mounts steadily. Latest statistics indicate 21,500 dead (about half civilians) since the beginning of the Sendero movement, and perhaps 5,000 disappeared, most of the latter victims of the security forces (some 244 since Fujimori took office). There are perhaps 80,000 displaced people, half of them under eighteen years old, who are victims of the cross-fire between the military and Sendero.

How has Sendero continued to grow? Most mainstream analysis tells us that it has no reason to exist, that it recruits and rules purely by fear, and that it remains an ultra-orthodox organization mired in its own limited analysis of Peru and the world. All of the above hold some truth, but not the whole

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truth. Foreign and Peruvian analysts often refuse to recognize Sendero's strengths and its ability to adapt.

Sendero has, for example, shown that it can operate successfully in varied zones ranging from the Upper Huallaga coca growing area on the edge of the sierra, to the upper and lower highlands, to metropolitan Lima. Socioeconomic conditions vary widely among these three. Once Sendero takes over a zone it rigidly organizes both social and economic life. Residents are forced to live by a strict code which includes no gambling, adultery, drunkenness, or prostitution, and above all that people be good citizens, i.e., that they swear allegiance to Sendero. It sets up local schools for purposes of indoctrination. A tripartite council governs, composed of one third Senderista cadres representing the proletariat, one third peasants, and one third petty bourgeois (richer peasants or small shopowners). Of course, the Senderistas hold the real balance because they control the armed power. Cadres designate those considered electable to the council. The system of formal justice at the level of petty complaints works reasonably well and gains legitimacy from its relatively high level of honesty.

In the economic sector, Sendero may distribute land, teach self-sufficiency, insist that all people participate in communal labor, and regulate sales prices and barter to insure that exploitation remains low. According to pro-Sendero sources, self-sufficiency involves the eradication of coca as a cash crop (some establishment sources, on the contrary, report Sendero forcing peasants to grow coca), although it is not clear that this policy applies everywhere. Failure to conform brings swift and merciless reprisals. Public trials take place at which cadres act as judges and executioners. Punishments range from death on the spot (for dealing with the enemy), exile, or corporal punishment and public ridicule (cutting off an ear, for example).

Sendero's overall goal is to make a peasant and proletarian revolution by capturing the countryside and then strangling the cities from a rural base that controls the flow of goods

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to urban areas. It is now engaged in an all-out struggle for the Mantaro Valley just inland from Lima, from and through which flow much of the capital's food supply and power, not to mention major mineral exports. Sendero has adopted new policies in the cities. It continues to use violence to dominate local organizations and eliminate any competition for the people's allegiance. In addition, it seeks to control local organizations by infiltrating them, and tries to convert people through nonviolent means. For example, it pays shantytown youth $100 a month (equivalent to a full wage or more for most people) just to hijack trucks two or three times a month and distribute their cargoes free, shouting "long live Sendero."

One effective Sendero tactic has been the "armed strike," which it declares over a specific area such as a city or department for a set time. Anyone violating the dictum and caught working faces immediate reprisals, sometime execution on the spot. These actions have, in some instances, virtually shut down provincial cities and surrounding areas and have even had an impact in Lima. Bus and truck drivers in particular are vulnerable, and the reduction in motor transport keeps people from getting to work. The informal sector seems much less vulnerable.

Why does Sendero keep growing? The answer is many-layered. Sendero feeds on the economic crisis and disillusionment of youth. The fact that a significant percentage of its cadres are women reflects the subordination of women in the rest of Peruvian society and Sendero's internal policies against sexist behavior. The violence perpetrated by the security forces on the peasantry and slum dwellers also helps swell its ranks. In the shantytowns, people may know who the Senderistas are, but seldom turn them in to the authorities. Why? Of course people fear reprisals, but they also know that the military presence in their neighborhood may be worse than Sendero. The record of the security forces in burning, looting, and raping is well known.

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Sendero grows too because, like it or not, it has a real appeal for many middle- and lower-class Peruvians. The attraction stems from the rhetoric of revolution, but also from the fact that Sendero offers the possibility for effective action against age-old abuses by the authorities. It also holds out the possibility of empowerment for youth who have grown up in an era of increasing hopelessness and helplessness. In highland communities, Sendero's presence may only mean the substitution of one authoritarian structure for another. Some people in "red zones" welcome the end to crime and violence that the Pax-Senderista brings and seem willing to accept in exchange limitations on personal freedom which may, in fact, be no worse than those that they suffered under previously.

Interestingly, Sendero has no specific long-term vision of its "Popular Republic of the New Democracy" after the revolution, except in negative terms—an end to bourgeois and imperialist domination. Although fear plays a large role in Sendero's ability to govern "liberated areas" and to infiltrate new territory, a significant minority of the population either sympathizes with or openly supports it.

The Future

Can Sendero win in the foreseeable future? Assuredly not, because it still represents a decided minority and because it lacks mass organizations and firepower (although its huge war chest can buy sophisticated weaponry on the international market). What, then, does the future hold for Peru?

If things keep going as they are, sooner or later the state (or some external force) will have to take firmer action against the insurgency. Three scenarios seem plausible. In the first, the military will take formal and official control of the country and wage all-out war against the guerrillas. A so-called Argentine faction pushing for a "dirty war" exists within the military and seems to be gaining strength; active military men already hold two cabinet posts. A recent document of the Joint Command of the Peruvian Military included such phrases as "the

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only good subversive is a dead subversive," and it called for "the elimination of people without leaving evidence." A Minister of Defense justified killing 100 peasants if they included one single guerrilla sympathizer. The military estimates that winning this kind of war would mean some 600 thousand casualties and ten to fifteen years of dictatorship. In such a conflict the entire Peruvian left, including many popular organizations, might easily get liquidated early on (one reason why Sendero seeks to provoke such a coup). This, of course, would effectively polarize society, vindicate Sendero's analysis, and leave Sendero and the military to slug it out for supremacy. Sendero claims that it has moved from a guerrilla war to a war of movement, and that final victory means a million victims.

In the second, a partial or total "Lebanonization" of the country could occur. The players might be: Sendero, other guerrilla groups, the various security services, the military, drug traffickers, armed peasants, and the United States. Each might occupy one or more parts of the country in a pattern of changing alliances, rivalries, and territories. The constants would be violence, repression, and economic stagnation.

In the third, the United States might intervene massively if Sendero continues to gain ground and the Peruvian military proves incapable of stopping it. Neither Bush nor Fujimori seems to want intervention, but as history shows, imperialist powers may not always have freedom to act as they wish. Already committed to training special forces and occupying bases in the interior, the U.S. presence grows yearly. Current official U.S. military aid amounts to some $25 million. The number of advisors remains classified, but 200 is the figure usually quoted, including a detachment of Green Berets for training six special "antidrug" battalions. A full-scale or even creeping intervention, however, would give Sendero a powerful nationalist card to play.

By any measure, Peru's future seems bleak. The government's economic plan can only breed more recruits for violence, and more violence can only result in increased

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repression. Peru thus stands at the brink, but at the brink of exactly what will only become clear in the coming months.

*As this article was being prepared for the typesetter, the Peruvian government granted extensive emergency powers to the military, including the right to imprison civilians for up to ten years for refusing to respond to interrogation (*New York Times, *December 3, 1991). Although it is too soon to know precisely what these powers will mean in practice, their promulgation has all the earmarks of a declaration of dirty war.*

—The Editors

A NOTE ON SOURCES

Much of the information in this article was gathered during trips to Peru in August and September 1991 under contract for the Swedish Agency for Research Cooperation with Developing Countries (SAREC) on a mission to evaluate the output of more than thirty social science research institutions. For current events, see *Resumen Semanal*, published weekly by the Centro de Estudios y Promoción del Desarrollo (DESCO) and that institution's bi-monthly magazine *Quehacer*. On Sendero, specifically, best in English are the articles by Carlos Iván Degregori, Carol Andreas, and Nelson Manrique in NACLA's *Report on the Americas*, December 1990–January 1991, "Fatal Attraction: Peru's Shining Path." *The Nation* has published several pieces on Sendero during the last year or so. Sympathetic to Sendero are *El Diario* and *El Diario Internacional*. The former circulates semi-clandestinely inside Peru, having been banned by the government. The latter is published irregularly in Brussels, Belgium. Both are considered semi-official publications of Sendero. They advertise Sendero literature and carry stories "from behind the lines"; see, for example, *El Diario Internacional*, August 1991, "Reportaje en Zona de Guerra." Revolution Books in New York carries a full line of Sendero publications.

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CORRESPONDENCE

The "S"-Word Has Not Disappeared

The following letter was received from a political prisoner in North Ireland whose subscription to Monthly Review has been continued pending his release.

—The Editors

I got your annual Associates appeal letter soon after the September issue of MR arrived. Not being able to help in more practical ways, I thought the least I could do was write to express my gratitude for your continuing generosity and let you know that your help is greatly appreciated. It is not empty hyperbole to say that your work is highly valued. It is a constant struggle against a certain introspection and insularity of thought, particularly in these circumstances. There is a tendency to become rather abstruse and over-theoretical, where your sense of proportion and dimension gradually shifts and, if you are not careful, becomes defined by immediate conditions. MR is a constant stimulus, thoughtful and provocative, a regular reminder that, however much it may be wished away, the "S" word has not disappeared. It is literally and generally international in scope, a re-assertion of the greater world of which we are part. I especially like the mix of articles and the approach taken by the authors, which seeks neither to impress nor intimidate the reader. MR is a restorative, clearing away the cobwebs, cutting through the rust and making the wheels turn again. The best thing about it is that you don't have to agree with what's being said, but it really makes you think, often in quite new and original ways. I have just over a year to go, until I can get around to repaying the considerable debt I owe you. Until then, keep going and very best wishes to you, the MR staff, and Associates.

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BOOKS

The "Betrayal" of Czechoslovakia

by Benjamin B. Page

Czechoslovakia: Anvil of the Cold War, by John D. and Sylvia Crane. New York: Praeger, 1991. 392 pp. $45.00.

In the period between the two world wars, Czechoslovakia and its philosopher-president, Tomáš G. Masaryk, figured frequently in the Western press. Newspaper people, statesmen, businesspeople, scholars, artists, and others made literal pilgrimages to the country some called "our little nephew," perhaps even to meet "the grand old man" whom some—George Bernard Shaw for example—believed should have been president of Europe. After the Nazi takeover in 1938, followed a decade later by the Communist "coup," a mantle of silence fell over the country and, except briefly in 1968, the West found little to say or write until about two years ago. Now that Czechoslovakia is again entering the domain of Western interest, it will be useful to have its story told anew. This John and Sylvia Crane have begun to do, focusing on Czechoslovakia's relations with Britain, the United States, and the USSR from 1918 through 1948.

The Cranes do not develop fundamentally new interpretations. They do, however, considerably enrich the story with archival material from U.S. and especially British sources not available to most earlier authors. They have adopted as their conceptual framework the thesis that the Cold War began not after the Second World War, but rather with the Bolshevik Revolution and Western responses to it.[1] Thus, they see Czechoslovakia as a country that, thanks

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to its geographic location, has been an anvil or victim of the Cold War on four crucial occasions: in the year of its birth, 1918; twenty years later, in the Munich accords that led to its dismemberment by Hitler; in the postwar hardening of relations between the Soviet Union and the West, of which the Communist "coup" of 1948 was an outcome; and in 1968 when the West stood idly by while Soviet tanks snuffed out the attempt to create "socialism with a human face."

The Cranes deal only with the first three of these occasions, the third coinciding with the end of their direct involvement with the country. Their involvement grew out of a personal relationship between the Crane and Masaryk families that dates from the late 1870s and continues to this day; for a short time it included the marriage of Tomáš Masaryk's son Jan to John Crane's sister. John Crane spent most of the interwar years in Prague, many of them as Masaryk's secretary; Sylvia, later his wife, became involved through her work in arranging a major demonstration of support for Czechoslovakia and Masaryk's successor, Eduard Beneš, in New York in 1943. In the Cranes' telling, it was Czechoslovakia's unenviable fate, on each of the occasions they consider, to have been abandoned or betrayed by countries it believed to be its friends. Thus, the "impossible situation" in which history placed not only the country, in 1948, but also Jan Masaryk, its last pre-Communist foreign minister. In a chapter whose argument may surprise some, the Cranes describe why they and many others close to Jan have always believed his death, shortly after the Communist "coup," to have been a suicide rather than murder. Implicitly, for the Cranes, his death stands as a symbolic personification of Czechoslovakia's pre-Communist history.

What the Cranes write provides additional support for the thesis that sees the birth of the Cold War in the Bolshevik Revolution. It is not clear from what they write, however, that Czechoslovakia as a country has always been a victim or anvil of Western anti-Communist or anti-Soviet policy. The Cranes themselves hint at the prospect that much of Czechoslovakia's fate was shaped by Western policy toward Germany, but neither they nor most Western leaders have grasped the fundamental role Germany played in the thinking of Czechoslovak leaders from Masaryk until well into the tenure of the last Communist president, and the vast differences between Western attitudes toward the USSR and those of even the non-Communists Masaryk and Beneš.

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For most of their history the Czechs, the Westernmost of the Slavs, have been hard pressed to preserve their culture—even their language—and their economic and political identity from the pressure of Germany's thousand-year *Drang nach Osten* and, after losing their independence to Austria in the seventeenth century, from the Germanizing policies pursued by several of the Habsburg rulers. During the First World War, as part of his campaign for Czech and Slovak independence, Masaryk wrote a little book presenting the Slav view of history, in part to urge the Allies to press for the unconditional defeat and dismemberment of both the Germanic empires.[2] During the first years of Czechoslovakia's existence, its Germans—descendants of settlers in the Czech lands (today Bohemia and Moravia) in the Middle Ages or during the period of Austrian rule—sometimes refused to participate in running the new country where they were no longer politically dominant; at other times they were excluded by Czechs determined at last to manage their own affairs. The somewhat ambivalent place of these Germans in interwar Czechoslovakia gave Hitler his initial pretext for making demands on the Republic; the support most of them gave to the Nazi cause was in turn the reason for Beneš' insistence that over 2 million of them be expelled—"transferred"—at the end of the Second World War. On the other hand, unlike Poland, neither the Czech Lands nor Slovakia had ever suffered anything negative from Russia, nor did Czechoslovakia from the Soviets until the defeat of Nazi Germany—some might say until 1968. Thus both Masaryk and Beneš, throughout the period the Cranes cover, were far more inclined to trust the Soviet Union as an ally than was anyone in the West and to be deeply concerned over any Western appeasement or build-up of Germany, regardless of the reasons. This fundamental difference in perspective needs to be highlighted. Failure of the West, particularly the United States, to understand it was to a large extent responsible for the hardening of policy between 1945 and early 1948 that in effect pushed Czechoslovakia into total dependence on the Soviet Union and prepared the way for the Communist "coup."

The first of the three occasions the Cranes describe relates to the involvement of some 70,000 Czech and Slovak troops—the Czechoslovak Legions—in the Russian Civil War, an involvement that is part of the basis of the thesis that dates the birth of the Cold War with the Bolshevik Revolution. The Cranes give a vivid account of who and what the Legions were, the role they were intended to play in Masaryk's project to win Allied support for independence,

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and what they were doing in Russia in the first place. They demonstrate that the involvement of the Legions was neither the Legions' nor Masaryk's intention, but resulted rather from unilateral British decisions to depart from agreements previously made with Masaryk regarding the transport of the Legions from Russia to the Western Front. It is not clear from the Cranes' account whether these decisions were originally motivated by consideration of the war against Germany or by a desire to use the Legions as part of the British anti-Bolshevik efforts; in the end, they clearly came to serve the latter. In any case, it is hard to see how Czechoslovakia as a state can be said at this juncture to have been a victim or anvil of the nascent Cold War, or how its geographic position could have played any role. Regardless of the collapse of Masaryk's intentions for the Legions, Czechoslovakia itself emerged from the events of 1918 far more a victor than a victim: an independent nation within borders that largely corresponded with those urged by its representatives at Versailles, projected by its two strongest supporters—Britain and especially France—as the center from which the economic, political, and security concerns for Central Europe were to be reorganized.

The Cranes' use of archival material, particularly British, enriches the story of their second crisis, the build-up of the Munich accords that presaged Hitler's dismemberment of Czechoslovakia. The question of the motives behind Chamberlain's policy, however, remains open. From the Cranes' account, it is once again not clear that anti-Soviet or anti-Communist thinking was paramount. Throughout the 1930s, Britain, like Czechoslovakia, the Soviet Union, and France, was deeply concerned about Germany. However, while the latter three countries attempted to develop a collective security system, Britain took a different approach. There seems little reason to doubt that Chamberlain was deeply committed to the cause of peace in Europe. Seeing Germany as the main threat, Chamberlain tried not to provoke Hitler and was so deeply steeped in the traditions of the British gentleman that he refused to believe that Hitler's word could not be trusted. Only Hitler's invasion of Czechoslovakia, in defiance of the terms he had agreed to at Munich, finally awakened Chamberlain and prepared him to defend Poland. Thus, as Hitler's demands with respect to Czechoslovakia escalated during 1938, Britain adopted the policy of bringing pressure on Prague to accede. What the British considered Czechoslovakia's "obstinacy," rather than Hitler's demands, came to be seen in London as the primary danger.

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It may be, as the Cranes speculate, that Czechoslovakia offered conservative Britain a less attractive terrain than Poland on which to stand against Hitler. The Czechoslovakia of the Masaryks and Beneš pursued one of the most liberal social welfare policies of the interwar world, was one of the very few countries with a legal Communist party that even held seats in Parliament, and based its foreign policy on close ties with both France and the Soviet Union. Nevertheless, at the time it was the Germans who seem to have been most intent on keeping the Soviet Union out of Europe. This was acknowledged by Field Marshal von Keitel at his Nuremberg trial to have been a major objective of the Munich conference; the exclusion of both Czechoslovakia and the USSR was but another of Hitler's demands that Chamberlain accepted in his efforts not to provoke.

In the Cranes' story, it was in the aftermath of Munich that more explicitly cold-war factors came to the fore, and the United States began gradually to replace Britain as the dubious ally. Beneš, as head of the exile government in London, knew that he had to work with and balance both Western and Soviet war interests and future concerns, a position which the Soviets seem to have understood better than the British or the Americans.

From the outset, from the moment the question of the status of Beneš' exile government in London arose, right up until the Communist "coup" in 1948, voices in the United States constantly urged caution. A 1941 State Department memo the Cranes cite stated that "Dr. Beneš and his group have approved the policies of the Soviet Government. Should the United States Government recognize the Czechoslovak Provisional Government, it would amount to an endorsement of its policies regarding Russia and this would be a cause of real embarrassment to the United States Government in the future" (p. 184). Given the significant participation of Czechoslovakia's Moscow-based Communist exiles in drafting the plans for postwar Czechoslovakia—plans which, as Beneš announced on his return from Moscow in 1943, envisaged Communist participation in a provisional government, large-scale nationalizations and social welfare programs, and a twenty-year treaty of friendship with the Soviet Union—such cautionary voices became increasingly influential in shaping U.S. policy. By 1946, the U.S. position, as urged by Ambassador Laurence Steinhardt in Prague, was that economic aid to Czechoslovakia would only strengthen the Communists. If the "moderates"—who included Beneš and Jan Masaryk, by this time foreign minister—wanted to hope for aid from

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the United States they would first have to strengthen their position against the Communists, and the country as a whole would have to show that it was determined to rid itself of the Communist "threat"; there would also have to be clear evidence that property of U.S. citizens nationalized under the new laws would be paid for in dollars. The British, in contrast, recommended that aid be granted as a way of strengthening the moderates' hand and of showing the people that the Soviets were not the only country ready to help Czechoslovakia. They did, however, acknowledge that at the bottom line they would follow the U.S. lead.

Once again the question of Germany occupies a vital position. People in Czechoslovakia came to feel that in U.S. policy their wartime oppressor was being favored over them. Insofar as the United States had decided that "communism" was the mortal enemy of "democracy" and that Germany—i.e., the Western zones—presented a more promising field of anti-Communist operation than did the Slavic, heavily socialized, "pro-Soviet" Czechoslovakia, such suspicions were not ungrounded. Matters came to a head in the latter part of 1947, around the Marshall Plan. Even if Stalin had not obliged Masaryk to withdraw his initial acceptance, it would have been hard for Czechoslovakia to participate. As the British ambassador commented, even the non-Communists were "genuinely disturbed" that the plan would rebuild German industry at the expense of Czechoslovakia's. The common people, he added, "were blaming the West, particularly the United States for putting them in a position of having to choose between East and West, and were even talking in terms of a second Munich" (p. 297).

During his visit to the United States in late 1947, again pleading his country's case for aid, Masaryk found himself overtly avoided both in public and in private by people he had once counted his friends. Like his country, he had come to be seen in the American imagination as "pink." He returned home empty-handed, a situation he knew could only emasculate his position and isolate him at home, to the benefit of the Communists. Despite having proclaimed a doctrine that sought to protect Greece and Turkey from "Communist aggression," Truman told Masaryk that in a crisis Czechoslovakia could count on no more than moral aid from the United States (p. 310). It is these circumstances that contributed to the Communist coup some two months later, and the "impossible situation" in which, the Cranes believe, Jan Masaryk committed suicide.

By contrast, in the Cranes' account, Beneš' negotiations in the Soviet Union seem to have gone more smoothly, particularly during

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the war. Both Roosevelt and Churchill acknowledged that Czechoslovakia could not avoid a special relationship with the Soviets, and had approved in advance the terms of the treaty Beneš signed with Stalin during his 1943 visit to Moscow. On the other hand, in both the Foreign Office and the State Department objections were raised to the visit. Nor is it clear that his Western allies understood Beneš' need to discuss postwar plans with Czechoslovakia's Moscow-based Communists.

The 1943 treaty, like all Beneš-Masaryk wartime thinking, was based on the premise that the cooperation between East and West Europe would continue after the war and prevent any resurgence of German power. Negotiated during the highpoint of cooperation between the Soviets and the West, it joined Britain and the United States in assenting to the expulsion of German minorities from Czechoslovakia and to war crimes trials for Nazi leaders. Going further than the West had so far, the treaty also guaranteed the restoration of Czechoslovakia's pre-Munich borders,[3] and Stalin gave assurances that the Soviet Union would not intervene in Czechoslovakia's internal affairs. Negotiations with the Czechoslovak Communists resulted in the agreements on postwar arrangements that added so much to State Department and Foreign Office hesitancy. Speaking on his return to London, Beneš indicated satisfaction regarding both sets of negotiations and his conviction that Czechoslovakia was on the right track. In a sense, Czechoslovakia, through Beneš and Masaryk, more seriously than any other Western country treated the Soviet Union as a full, equal, and dependable member of the wartime Alliance.

During his second Soviet visit, in March of 1945, en route back to the as yet only partially liberated Czechoslovakia, Beneš felt that everything was proceeding well on the basis of the 1943 treaty. In fact, Stalin had made several surprising observations, all recorded in secret memoranda in Foreign Office files. Stalin acknowledged that Western suspicions that the Soviet Union wanted to "bolshevize Europe" had previously been justified, but that such was no longer the case. Communist parties were to become national parties, interested in the affairs of their own countries. The Czechoslovak Communists he had come to know during their wartime exile in Moscow he considered "good patriotic men," but with blinders: they concentrated "too much on their own ideology"; he urged Beneš to "undertake to broaden their outlook." Stalin indicated that he shared Beneš' displeasure with the cabinet created by Beneš' negotiations with the Communists. The West would see its structure as an indication

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of Soviet interference in Czechoslovakia's internal affairs, an implication he did not like and something he had no intention of doing. Although he also shared Beneš' concern about the man selected to be provisional prime minister, considering the choice "a foolish act," he stressed that he would not interfere even there (pp. 230-31).

The story of what happened in Czechoslovakia between Beneš' return in April 1945 and the Communist "coup" of February 1948 is told in the Cranes' book primarily from the viewpoint of archival records of U.S. and British reactions to events. It tells of the fulfillment of Masaryk's 1946 prophecy that unless the Western powers and the Soviets learned to work with each other, "Czechoslovakia would inevitably be sucked into the Soviet orbit" (p. 274). To know that story fully, however, it would also be necessary to have access to Czechoslovak and Soviet archives. It may well be that the Havel government will publish Czechoslovak material about the "coup," but in the present atmosphere of almost rabid opposition to anything Communist or Soviet, it may be a while before publications are much more objective than those issued under Communist auspices. For the present, our knowledge of the Communist "coup" can be only partial.

The Cranes' telling of Czechoslovakia's story, then, enriches the thesis that places the origins of the Cold War in Western reactions to the Bolshevik Revolution, and makes a contribution to knowledge about Czechoslovakia's past that is useful to have at a time when its present and future are again subjects of interest in the West. In doing so, it opens several areas of possibly fruitful further inquiry, and presents a strong case for a view of the death of Jan Masaryk that is diametrically at odds with the view usually presented in non-Communist sources. If their interpretations of his and Czechoslovakia's stories are correct, both the man and the country remain victims of the Cold War, but far more of Western than of Soviet actions. The main shortcoming of the Cranes' book is one that is shared with British and U.S. policy makers and, it seems, with Czechoslovakia's current president: insufficient attention to the question of Germany. Much of Czechoslovakia's fate has been shaped as a consequence of Western actions with regard to Germany and its role in questions of European peace or anti-Communist undertaking. It remains to be seen whether President Havel's expressed lack of concern for Germany—now that it is "democratic"—will put an end to this historical pattern.

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NOTES

1. D.H. Fleming, *The Cold War and its Origins* (New York: Doubleday, 1961); Andre Fontaine, *History of the Cold War From the October Revolution to the Korean War, 1917-1959*, translated by D. Paige (New York: Pantheon, 1968).
2. T.G. Masaryk, *The New Europe: The Slav Standpoint* (London, 1918; reprinted in Lewisburg, PA: Bucknell University, 1972). It is odd that this book is not mentioned by the Cranes, despite its usefulness as an indicator of the foreign policy Czechoslovakia was to pursue under Masaryk and Beneš.
3. The Cranes provide a well-documented account of how Sub-Carpathian Rus was later transferred from Czechoslovakia to the USSR.

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The Meaning of the Communist Experience

by Tom Mayer

Socialist Register 1991; Communist Regimes: The Aftermath edited by Ralph Miliband and Leo Panitch. London: The Merlin Press, 1991. 389 pp. $18.00 (distributed in the United States by Monthly Review Press).

Communist Regimes: The Aftermath is the twenty-seventh annual volume of the *Socialist Register*, but the very first one which I have read cover to cover including all the footnotes. I find it to be the most insightful and informative collection of articles yet assembled on the stunning collapse of European Communism. Although the book appeared before the attempted coup of August 1991, it certainly illuminates the causes and likely consequences of this dramatic event. I learned something from every single article, even though the arguments made by the various authors are not always consistent, and even though I agree with none of the fifteen papers entirely. Unfortunately, I shall only be able to comment on eight of these papers.

Leo Panitch and Sam Gindin, two Canadian socialists, provide a fascinating report of their June 1990 conversations with Soviet workers and political activists. These conversations reveal a fragmented working class with serious trepidations about any transition to capitalism, but lacking any clear perspectives on the future and also lacking organizational capacity to affect national or even regional policy. The authors' discussions with Moscow political activists reveal a kaleidoscopic diversity of outlooks on the political and economic prospects of the Soviet Union. Committed socialists are few and far between, and their political organizations seem little

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more than isolated sects. Strangely enough, the most persuasive materialist analysis of Soviet society comes from an enthusiastic advocate of capitalism. Panitch and Gindin conclude that socialist initiative—if it exists—has passed from the Soviets to the Western left.

Patrick Flaherty describes Soviet neoliberalism as the view that the self-regulating market should be the core institution of society, and gives a detailed analysis of neoliberal economic policy and political strategy. The core of the neoliberal project is "a Stolypin wager that a status revolution bringing power and remuneration into line with demonstrated talent, will propel the Soviet Union into a new technological age" (p. 147). Neoliberals show a profound hostility toward the working class, which they regard as indulged and incapacitated by excessive social welfare. To make the market the central institution of Soviet society, the solidarity and security of the working class must be destroyed. The primary levers for doing this are large wage differentials, an ideology of possessive individualism, and—most importantly—mass unemployment.

Although neoliberals currently use democratic rhetoric, their ideals have obvious antidemocratic implications. Only an authoritarian government could impose such capitalist "shock therapy" against the wishes of an overwhelming Soviet majority favoring egalitarian distribution and protection against economic fluctuations. The triumph of neoliberalism, Flaherty emphasizes, is not assured. The effort to apply neoliberal policies could easily evoke a strong working-class response, which might create more progressive political opportunities.

In order to clarify the crisis of Soviet Communism, Robert Cox examines the structure of social power through which the accumulation process took place. Common to all Communist countries is a cycle in which the initial suppression of civil society is followed by its reemergence in an altered form. In the Soviet Union the second phase of this cycle occurred largely during the Brezhnev period when the insecurity of the ruling cadres was relaxed and the *nomenklatura* became a stable ruling class. At the same time, the working class divided into upper and lower strata, the former of which acquired economic security in exchange for political passivity. At the enterprise level, a form of corporatism developed in which managers, upper strata workers, and local party cadres allied to defend the particular interests of their organization.

Under these circumstances, central planning was not rational human control over economic processes, but a complex bargaining

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process between center and enterprises which acquired its own dynamic and came to dominate both planners and producers alike. The need for reform was obvious, but the coherence of the class alliance underlying the central planning system made piecemeal reform extremely difficult. The relaxation of economic controls under Gorbachev resulted in the breakdown of the distribution system and polarization between rich and poor. Unfettered public discussion of Soviet history has severely undermined the legitimacy of the Soviet state and challenged the value of socialism even as an ideal.

Cox sees three possible scenarios for the Soviet Union and the other former Communist societies. The first scenario combines economic liberalism and political authoritarianism to establish market capitalism and integration with the world capitalist economy. Political authoritarianism is needed to overcome the resistance of existing civil society to the capitalist transformation. The second scenario also involves political authoritarianism. Here authoritarianism is used to maintain a centralized command economy which incorporates some market processes and a few bureaucratic reforms. The third scenario combines democracy and socialism. Cox is skeptical about a socialism based mainly upon worker self-management. He thinks this is likely to evolve into a form of enterprise corporatism coordinated by a capitalist market. He seems to prefer a socialism founded upon democratization of central planning, but can find no historical precedent to establish the feasibility of such a system.

Cox's paper contains many valuable insights, but will not inspire much optimism. The author's dour prognosis is best expressed by the opening sentence of the final section: "The state of the world system now seems singularly unpropitious to a socialist future anywhere" (p. 188).

Socialists living in former Communist societies have authored three of the articles in the *Socialist Register 1991*. Buzgalin and Kalganov, founders of the dissident Marxist Platform group within the Communist Party, discuss the prospects for socialism in the Soviet Union. They try to be hopeful about a rebirth of Soviet socialism, but their paper only reinforced my perception that these prospects are not very good. Socialism, say Buzgalin and Kalganov, is mutilated but not dead in the hearts of the Soviet people. They recognize, however, that Soviet intellectuals are ashamed to acknowledge a belief in socialism even if they have one, and that Soviet workers must relearn the ability to work. The means advocated for

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resurrecting socialism is a thorough-going democratization of Soviet society based upon enterprise self-management, mass social movements, independent trade unions, and a rather elusive form of economic planning called "voluntary centralism."

Buzgalin and Kalganov impress me as upright people and perceptive thinkers, but they offer only abstract ideas about how to cope with the plummeting economy and disintegrating political structure of Soviet society.

Historian of socialist thought Tadeusz Kowalik explains why economic shock therapy is unlikely to create a viable capitalist economy in Poland, which has weak entrepreneurial traditions but a strong heritage of working-class struggle. Recession, Kowalik points out, induces defensive behavior and not the expansive entrepreneurship needed to make privatization workable. Moreover, the high industrial concentration characteristic of Poland encourages monopolistic behavior rather than competition in response to economic shock therapy.

Peter Bihari, editor of the theoretical journal of the Hungarian Socialist Party, places the revolution of 1989–1990 in an historical context. Bihari refers to the irrational system of accumulation in Communist Hungary, from which no social group systematically benefitted, as "degenerate socialism." During the late 60s and early 70s when the system was still economically and politically stable, Hungary had a real chance of evolving into a viable market socialist society. Instead, however, the political leadership—perhaps genuinely concerned about increasing living standards—walked into a debt trap which soon gave foreign banks and financial centers decisive control over the Hungarian economy. This ended any chance of building genuine socialism and led to the political revolution of 1990.

Today the real struggle in Hungary is between democracy and dictatorship. Given the prevailing social structure, Bihari thinks it may be impossible to create capitalism anywhere in Eastern Europe by democratic means. In Hungary the prevailing ideology is a mixture of conservative nationalism and anticommunism. There exists a would-be capitalist state, but no capitalist class. The state is desperately trying to create a capitalist class, and the pervasive social question is who will become a member of this class. The most logical candidates for the fledgling capitalist class are the managers of large enterprises, but this stratum is under political attack. If many managers are transformed into capitalists, the Hungarian petty bourgeoisie—which has supported the government in hopes of enriching

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itself—may turn toward authoritarian solutions. Meanwhile the working class is in a highly vulnerable position of having lost its confidence in socialism, lacking an organized political representation, and confronting an economic system which, though not yet fully formed, is surely uncongenial to working-class interests.

In a remarkably prescient article, Susan Woodward suggests that Yugoslavian economic decline and political disintegration offer harbingers of what lies in store for the Soviet Union. For over four decades the Yugoslav Communist Party followed a socialist version of economic liberalism, and during the 1980s the USSR adopted more or less the same economic strategy. Yugoslavian economic difficulties are usually blamed upon the defects of workers' control, but Woodward attributes the main fault to the liberal strategy itself. This strategy is based upon assumptions of microeconomic rationality and tends to favor the richest and most modern enterprises. In the Yugoslav context of uneven economic development and cultural diversity, socialist economic liberalism encouraged antagonism toward the federal state and hindered efforts to reduce regional inequality. It accelerated foreign debt, caused a loss of control over the domestic money supply, produced mass unemployment, exposed Yugoslavia to the economic cycles of world capitalism, and greatly embittered regional conflicts. It is a short political step, notes Woodward, from the failure of socialist economic liberalism to the necessity of full capitalism.

Michael Lebowitz offers a commentary on modern antisocialist economic theories, particularly those developed by the disillusioned Hungarian reformer Janos Kornai. The gist of Kornai's critique is that a socialist economy—whether organized around central planning or market processes—necessarily entails domination of sellers over buyers, hoarding by consumers and firms, lack of discipline by workers, and a general disinclination to innovate. Due to these intrinsic problems a socialist economy is doomed to perpetual shortage.

Lebowitz does not really refute Kornai's arguments. Socialist consciousness, he claims, is a necessary precondition for the development of socialist society, and Kornai's arguments against socialism would simply collapse if human beings were not selfish. How selfishness could erode and socialist consciousness develop within the context of capitalist society is not explained. Lebowitz evades these crucial questions by escaping into abstract thought and treating human consciousness as infinitely malleable.

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The overall message of the articles in *The Socialist Register 1991* is not, I suspect, what the editors may wish. In their Preface to the book, Miliband and Panitch identify the common theme to be that "democratic socialism [is] the only humane alternative." On the plane of ethics this is surely true, but the papers collected in *The Socialist Register 1991* and the events since its publication show that support for democratic socialism is very weak in every one of the former Communist countries.

Does this mean that triumph of capitalism in these countries is assured? I think not. At least two developments could lead in a very different direction. Several of the articles in *The Socialist Register 1991* stress the inherent tension between political democracy and the growth of capitalism in Eastern Europe. The imposition of capitalist property relations upon an increasingly recalcitrant population may require authoritarian rule, and this could precipitate broad popular movements favoring noncapitalist paths of development. The emergence of a stable capitalism also depends upon the appearance of a viable capitalist class, yet the continued dominance of state institutions and the political culture of post-Communist societies may frustrate the formation of such a class.

Major progress toward democratic socialism is only possible, however, if socialist movements develop within the advanced capitalist countries. I take this to be a fundamental lesson of the entire Communist historical experience. With the very idea of socialism in grave disrepute, the emergence of such movements seems rather far-fetched, but perhaps not. The collapse of authoritarian Communism and the fading of the Cold War will unsettle the ideological consensus within advanced capitalist countries and will unleash various class antagonisms formerly held in check by the existence of a supposedly powerful external foe. Upon such terrain the emergence of popular movements seeking fundamental social change is not at all far-fetched. Nor is it far-fetched to suppose that such movements would gravitate toward democratic socialism as "the only humane alternative."

And what of Communism itself? Was this nothing more than a tragic historical detour? Were the Bolshevik Revolution of 1917 and all subsequent Communist revolutions terrible mistakes? To the extent that Communist revolutions engaged in surplus repression on a massive scale, undermining their own moral authority and discrediting socialist movements everywhere, they have indeed been historical tragedies. But this is not the entire story by any means. The Communist revolutions responded to the fundamental irrationalities

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of capitalist development on a world scale. In terms of historical materialism, they confronted a specific conflict between forces and relations of production and accomplished a major though not unlimited development of the productive forces.

Modern capitalism remains a deeply exploitative and ecologically disastrous way of organizing social and economic life. The logic favoring a worldwide transition to socialism remains as compelling today as it has ever been. Such a transition, if it happens at all, will be a complex process unfolding over a very long period of time. The Communist revolutions should be regarded as the opening phase of this extended process the outcome of which will remain uncertain throughout our lifetime. On balance I think the Communist revolutions have weakened the reign of capital and enhanced the possibility of moving toward democratic socialism. Among other things they effectively challenged the sacredness of private property. Even if capitalism should be restored in Eastern Europe and the Soviet Union, it will prove extraordinarily vulnerable to the next wave of world revolution.

> Born in iniquity and conceived in sin, the spirit of nationalism has never ceased to bend human institutions to the service of dissension and distress. In its material effects it is altogether the most sinister as well as the most imbecile of all those institutional encumbrances that have come down out of the old order. The national mob-mind of vanity, fear, hate, contempt, and servility still continues to make the loyal citizen a convenient tool in the hands of the adversary, whether these sentiments cluster about the anointed person of a sovereign or about the magical name of the Republic.
>
> —Thorstein Veblen, *Absentee Ownership*

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(Continued from inside front cover)

continuing weakness of private investment. Beginning with the Second World War, there have been two dynamic forces, private investment and government spending. In principle they can be mutually reinforcing or offsetting, but in the context of war and Cold War that prevailed from 1940 on, they have been reinforcing. Flagging of private investment can be and generally has been compensated, at least in part, by increased government spending. This, however, is not an automatic economic adjustment; it must be mediated through the political system. During the period of war and Cold War, this raised no serious obstacles. The problem was presented by the ruling class as one of national survival, and the people as a whole accepted the diagnosis. For more than four decades "national defense" spending could be increased or decreased as needed to compensate for fluctuations in private investment. The result was a secular expansion of the economy punctuated only by relatively mild cycles of recession and recovery.

That was more or less the situation up to the end of the 80s, the collapse of the Soviet bloc, and the end of the Cold War. As it happened, these events coincided with another collapse, that of a cyclical upswing that had been reinforced and prolonged by a particularly virulent outburst of debt creation and speculation. The economy, with a cyclical downturn already overdue, wound down into its most serious recession since the Second World War. And that's where matters stand now.

Why do we think this is the beginning of a new era? Because there is no way under present or plausibly predictable conditions that the kind of increase in government spending capable of producing a renewed economic upswing could be generated by or pushed through the political system as it is presently constituted. There is simply no substitute for the Cold War with its flexible and at the same time potentially unlimited need for "defense" spending. And there is not much chance that capitalism's other dynamic force, private investment, will stage a serious comeback. There is plenty of unused productive capacity throughout the economy—the current utilization rate is under 80 percent, about the same figure as in 1929—and any bottlenecks or attractive innovations that may show up could hardly sustain a significant upsurge of capital investment.

The above-cited column by Louis Uchitelle quotes an interesting remark by Stanford economics professor Robert Hall about the present situation: "The best news of all is that this stagnant economy is not contracting; it is at least not moving downward." Even if this is accepted as accurate, however, it is not much to cheer about. If history shows anything, it is that economies never stand still for any length of time. And all signs just now point to the conclusion that the next move will be down rather than up. This is all the more likely when due consideration is given to known facts about major weaknesses in the underlying economic structure—there is still a massive overhang of unliquidated consumer and corporate debt, and both the banking system and the insurance industry are in deep trouble.

Faced with a somewhat similar situation in the late 1930s, President Roosevelt appointed a high-level Temporary National Economic Committee to investigate the state of the economy and what should be done about it. The Second World War cut that effort short. Maybe it should now be resumed. Both Washington and the public at large would stand to benefit from a serious effort to get the real issues out into the open.

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